

Message Text

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S E C R E T SECTION 1 OF 2 TAIPEI 8181

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ZE.O. 11652: GDS

TAGS: PFOR, TW, CH, US

SUBJECT: ROC REACTION TO RECENT DEVELOPMENTS IN US/CHINA
RELATIONS

REFERENCE: STATE 294910 (NOTAL)

1. SUMMARY: PRESIDENT FORD'S VISIT TO PEKING PRODUCED MIXED REACTIONS ON TAIWAN. THE FACT THAT THE VISIT LEFT U.S. RELATIONS WITH THE ROC "UNCHANGED" AND THAT NO SPECIFIC AGREEMENTS WITH PEKING WERE ANNOUNCED WAS A SOURCE OF RELIEF. ON THE OTHER HAND, PRESIDENT FORD'S REAFFIRMATION OF THE U.S. COMMITMENT TO COMPLETE THE NORMALIZATION PROCESS AND SECRETARY KISSINGER'S REFERENCE TO THE "JAPANESE MODEL" AS A PRC PREFERRED PATTERN FOR US/ROC POST-NORMALIZATION REALATIONS HAVE HEIGHTENED CONCERN AND APPREHENSION ON TAIWAN, PARTICULARLY FOR THOSE WHO HAD NOT YET FACED UP TO THE REALITIES OF THE US-PRC RELATIONSHIP AND THE IMPLICATIONS OF THE SHANGHAI COMMUNIQUE. END SUMMARY.

2. PRESIDENT FORD'S VISIT TO PEKING PRODUCED MIXED REACTIONS ON TAIWAN. ON ONE HAND, THE OUTCOME OF THE PRESIDENT'S VISIT HAS BEEN A SOURCE OF RELIEF TO THOSE HERE IN AND OUT OF GOVERN-

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MENT. PRIOR TO THE VISIT, THERE WAS WIDESPREAD SPECULATION,

ESPECIALLY AMONG THOSE OUT OF GOVERNMENT, THAT THE FORD VISIT WOULD RESULT IN US/PRC AGREEMENTS ON MATTERS SUCH AS THE SETTLEMENT OF CLAIMS OR ACCORDING MOST FAVORED NATION STATUS TO THE PRC. THAT NO AGREEMENTS WERE ANNOUNCED AND NO COMMUNIQUE WAS ISSUED AT THE CONCLUSION OF THE VISIT HAVE BEEN INTERPRETED BY MANY HERE TO SIGNAL THAT THE VISIT FAILED TO ACHIEVE ANY ADVANCEMENT IN US/PRC BILATERAL RELATIONS. THIS, AND THE FACT THAT U.S. RELATIONS WITH THE ROC REMAIN "UNCHANGED," HAVE QUELLED ANXIETIES THAT DURING THE PRESIDENTIAL VISIT, DESPITE INDICATIONS TO THE CONTRARY, THERE MIGHT BE AN UNEXPECTED BREAK-THROUGH IN US/PRC RELATIONS OR THE NORMALIZATION PROCESS.

3. ON THE OTHER HAND, THE RESULTS OF THE VISIT ARE ALSO A SOURCE OF CONCERN HERE TO THOSE BOTH IN AND OUT OF GOVERNMENT. THE PRESIDENT'S REAFFIRMATION OF THE U.S. COMMITMENT TO COMPLETE THE NORMALIZATION PROCESS, SECRETARY KISSINGER'S PRESS CONFERENCE REMARKS, ESPECIALLY HIS REFERENCE TO THE "JAPANESE MODEL," AND INCLUSION OF NORMALIZING RELATIONS WITH THE PRC AS ONE OF THE SIX POINTS OF THE PACIFIC DOCTRINE WERE A FORCEFUL REMINDER THAT US/PRC RELATIONS REMAIN ON TRACK AND THAT THE NORMALIZATION PROCESS IS CONTINUING.

4. WHILE THE SPECTRE OF U.S. RECOGNITION OF PEKING IS A SOURCE OF DEEP ANXIETY TO ALL HERE, THERE IS NO EVIDENT SENSE OF DESPERATION OR PANIC. ALTHOUGH IT IS AS YET FAR TOO EARLY TO DETECT WHAT IMPACT THE VISIT WILL HAVE ON INDICATORS OF STABILITY SUCH AS INVESTMENT, LAND VALUES, OR EXIT PERMIT AND VISA APPLICATIONS, DISCREET INQUIRIES MADE AMONG U.S. AND ROC BUSINESSMEN HAVE NOT REVEALED ANY SIGNIFICANT DECREASE IN CONFIDENCE IN CONTINUED STABILITY WHICH COULD LEAD TO DISINVESTMENT OR HOLDING UP ON NEW OR ADDITIONAL INVESTMENT. SHARE PRICES ON THE TAIPEI STOCK EXCHANGE DROPPED TO THEIR LOWEST POINT SINCE JUNE 1975 IN THE WEEK FOLLOWING THE CONCLUSION OF THE PRESIDENT'S VISIT TO PEKING, RISING SHARPLY IN THE WEEK OF DECEMBER 15. HOWEVER, MOST LOCAL ANALYSTS CITE ECONOMIC RATHER THAN POLITICAL REASONS FOR THE FLUCTUATION: THEY ATTRIBUTE THE DROP IN SHARE PRICES TO REPORTS THAT SOME OF THE COMPANIES OF THE FORMOSA PLASTICS GROUP WERE IN FINANCIAL DIFFICULTY AND THE LATER RISE IN PRICES TO AN

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INCREASE IN ORDERS FOR PLASTIC GOODS AND TEXTILE MILL PRODUCTS, COUPLED WITH THE ANNOUNCEMENT OF GROC MEASURES TO FURTHER ASSIST AILING EXPORT INDUSTRIES.

5. ALTHOUGH MOST PEOPLE HERE PROBABLY BELIEVE THAT THE ESTABLISHMENT OF DIPLOMATIC RELATIONS BETWEEN THE U.S. AND THE PRC IS INEVITABLE, THERE APPEARS TO BE SOME SMALL, LINGERING HOPE, ESPECIALLY IN CENTRAL GOVERNMENT CIRCLES,

THAT COMPLETION OF THE NORMALIZATION PROCESS MAY YET BE DELAYED INDEFINITELY AS A RESULT OF CHANGES IN THE WORLD SITUATION OR DOMESTIC POLITICAL CHANGES IN THE U.S. OR THE PRC. FEW PEOPLE HERE ADMIT TO SEEING ANY ADVANTAGE ACCRUING TO THE U.S. FROM ESTABLISHING DIPLOMATIC RELATIONS WITH THE PRC AND IN BREAKING THOSE RELATIONS WITH THE ROC. NONETHELESS, THE PRESIDENT'S VISIT TO THE PRC HAS STRENGTHENED THE BELIEF FREQUENTLY EXPRESSED BY THOSE OUTSIDE OF GOVERNMENT (AND, WE BELIEVE, PRIVATELY HELD BY MANY GROC OFFICIALS) THAT IF PRESIDENT FORD IS RETURNED TO OFFICE IN 1976, DIPLOMATIC RELATIONS BETWEEN THE PRC AND THE U.S. MAY WELL BE ESTABLISHED AS EARLY AS 1977.

6. ALTHOUGH ASSISTANT SECRETARY HABIB'S VISIT TO TAIPEI WAS VIEWED BY SOME AS A SIGN OF CONTINUED U.S. CONCERN FOR THE SECURITY AND VIABILITY OF THE ROC, HIS DISCUSSIONS WITH THE PREMIER LEFT NO DOUBT ABOUT THE GENERAL DIRECTION OF U.S. CHINA POLICY. IN ITS PUBLIC STATEMENTS AND APPARENTLY IN ITS BRIEFINGS TO KMT CADRE, LEGISLATORS, AND OTHERS OUTSIDE THE MOST SENIOR GOVERNMENT RANKS, THE GROC HAS BEEN EXPRESSING CONFIDENCE IN CONTINUING U.S. SUPPORT FOR AND COOPERATION WITH THE PREMIER HAD RENEWED U.S. ASSURANCES THAT IT WILL DO NOTHING HARMFUL TO THE ROC.

7. THE OFFICIAL GOVERNMENT LINE IS ONE OF DETERMINATION AND CONFIDENCE. BUT THERE ARE INDICATIONS THAT THE LEADERSHIP MAY BE FINDING IT DIFFICULT TO CONVINCE SOME NERVOUS NELLIES. IN A CONVERSATION WITH AMBASSADOR UNGER ON DECEMBER 13, FOREIGN MINISTER SHEN CHARACTERIZED HIS MEETING WITH KMT LEGISLATORS AND SENIOR CADRE AS "STORMY." CONCERN OVER THE DIRECTION OF U.S. CHINA POLICY AND DOUBTS ABOUT THE GENERALLY OPTIMISTIC ANALYSIS WHICH SHEN HAD APPARENTLY PRESENTED WERE SUFFICIENTLY STRONG FOR SOME TO SUGGEST THAT
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THE PREMIER HIMSELF SHOULD BE INTERPELLATED.

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8. CONVERSATIONS WITH THOSE OUTSIDE OF GOVERNMENT TEND TO SUPPORT THE VIEW THAT CONCERN OVER U.S. CHINA POLICY AND QUESTIONS ABOUT THE DEPENDABILITY OF THE U.S. ARE WIDESPREAD AMONG THOSE WHO ARE POLITICALLY AWARE. CONSEQUENTLY, MANY PEOPLE BOTH IN AND OUT OF GOVERNMENT ARE PRESSING FOR GREATER EFFORTS TO INCREASE SELF-RELIANCE AND FOR A MORE INDEPENDENT ROC STANCE IN FOREIGN AFFAIRS. AS A RESULT, IT IS LIKELY THAT THE GROC, WHILE STRIVING TO MAINTAIN CLOSE LINKS WITH THE U.S., WILL ALSO ACCELERATE ITS EFFORTS TO SEEK A GREATER MEASURE OF ECONOMIC AND MILITARY SELF-RELIANCE AND ATTEMPT TO FURTHER DIVERSIFY ITS MARKETS AND SOURCES OF SUPPLY, BOTH ECONOMIC AND MILITARY. HOWEVER, GIVEN THE ROC'S INELUCTABLE DEPENDENCE ON THE U.S. FOR DIPLOMATIC, MILITARY, AND MORAL SUPPORT AND GIVEN THE LIMITS TO ITS FLEXIBILITY IN FOREIGN POLICY RESULTING FROM ITS CLAIM TO BE THE GOVERNMENT OF ALL OF CHINA AND ITS FIRM ANTI-COMMUNIST STANCE, IT IS DOUBTFUL THAT THE GROC WOULD BE ABLE OR WILLING TO ADOPT A SIGNIFICANTLY MORE INDEPENDENT OR DIVERGENT APPROACH IN FOREIGN POLICY, AT LEAST SO LONG AS DIPLOMATIC RELATIONS WITH THE U.S. CONTINUE TO EXIST.

9. ASIDE FROM HEIGHTENING CONCERN ABOUT U.S. RELIABILITY, THE FORD VISIT HAD A SECOND MORE STRIKING AND MORE SIGNI-
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FICANT IMPACT ON TAIWAN IN TERMS OF THE FUTURE OF US/ROC RELATIONS: SECRETARY KISSINGER'S PRESS CONFERENCE REMARKS ON THE JAPANESE MODEL HAVE FORCED PEOPLE TO FACE MORE SQUARELY THE IMPLICATIONS FOR THE ROC OF THE US/ROC RELATIONSHIP. INITIAL REPORTS OF THE SECRETARY'S REMARKS WERE BASED ON A DECEMBER 5 UPI DISPATCH WHICH ERRONEOUSLY SUGGESTED THAT THE SECRETARY HAD STATED THAT THE U.S. WAS CONSIDERING ADOPTION OF THE JAPANESE MODEL AS THE PATTERN FOR US/ROC UNOFFICIAL

RELATIONS FOLLOWING THE ESTABLISHMENT OF DIPLOMATIC RELATIONS WITH THE PRC. ANXIETIES DIMINISHED TO SOME DEGREE FOLLOWING RECEIPT OF THE TRANSCRIPT AND CLARIFICATION GIVEN TO THE PREMIER BY ASSISTANT SECRETARY HABIB, BUT THE BASIC ISSUE REMAINS AND WILL BE THE FOCUS OF CONTINUING CONCERN--IF NOT PRACTICAL ATTENTION--IN THE MONTHS AHEAD. BEFORE THE FORD VISIT MANY NON-GOVERNMENT PEOPLE HAD PRIVATELY VOICED CONCERN OVER WHAT ARRANGEMENTS WOULD BE DEvised TO CONDUCT SUBSTANTIVE US/ROC DIPLOMATIC RELATIONS. THE SECRETARY'S REMARKS AS ORIGINALLY REPORTED ADDED A MUCH MORE TANGIBLE ELEMENT TO THE EARLIER SPECULATION AND HAVE FORCED PEOPLE HERE TO CONSIDER MORE CONCRETELY THE CONSEQUENCES FOR THE ROC OF ADOPTION BY THE U.S. AND THE ROC OF THE JAPAN MODEL AS THE PATTERN FOR THEIR FUTURE RELATIONS.

10. FROM CONVERSATIONS WITH THOSE BOTH IN AND OUT OF GOVERNMENT, IT IS CLEAR THAT FEW HERE ARE PSYCHOLOGICALLY PREPARED TO ACCEPT THE JAPANESE MODEL AS THE BASIS FOR FUTURE US/ROC RELATIONS. MOREOVER, THERE IS (NOT SURPRISINGLY) A WIDESPREAD BELIEF, BASED ON MORE PRAGMATIC CONSIDERATIONS, THAT THE JAPANESE MODEL CANNOT SATISFACTORILY PRESERVE WHAT IS CONSIDERED HERE TO BE THE UNIQUE AND STILL ESSENTIAL RELATIONSHIP, INCLUDING THE MUTUAL DEFENSE TREATY, BETWEEN THE U.S. AND THE ROC.

11. IN A RECENT CONVERSATION WITH AMBASSADOR UNGER, FOREIGN MINISTER SHEN SPECIFICALLY VOICED CONCERN OVER THE POTENTIAL EFFECTS ON THE STATUS OF EX-IM BANK LOANS, OPIC, FOREIGN MILITARY SALES, AND THE DEFENSE TREATY IF THE JAPANESE MODEL WERE ADOPTED AS THE PATTERN FOR FUTURE RELATIONS. WHILE SIMILAR CONCERNS HAVE PREVIOUSLY BEEN VOICED BY THOSE OUTSIDE THE CENTRAL GOVERNMENT, THIS IS THE FIRST TIME THAT ANY SENIOR GROC OFFICIAL HAS RAISED WITH THE EMBASSY

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THE QUESTION OF FUTURE ARRANGEMENTS FOLLOWING DE-RECOGNITION BY THE U.S. OF THE ROC.

12. THINKING ON THE QUESTION OF ARRANGEMENTS APPEARS, HOWEVER, TO CONTINUE ALONG NEGATIVE LINES: THERE IS WIDESPREAD DISCUSSION OF WHAT WOULD NOT BE ACCEPTABLE AS A SUBSTITUTE FOR FULL DIPLOMATIC RELATIONS. THERE IS AS YET LITTLE EVIDENCE THAT THE GROC ITSELF IS ACTIVELY CONSIDERING THIS QUESTION; INSTEAD, IT APPEARS TO BE CONTINUING TO DIRECT ITS THINKING AND EFFORTS TOWARDS PREVENTING, OR AT LEAST DELAYING COMPLETION OF THE NORMALIZATION PROCESS. PUBLICLY AND IN DEALINGS WITH EMBASSY OFFICIALS, THE GROC CONTINUES TO EXPRESS THE VIEW THAT U.S. RECOGNITION OF THE PRC IS A MATTER OF LIFE OR DEATH TO THE ROC AND THAT THEREFORE THE GROC MUST FIGHT TO THE END AGAINST SUCH A MOVE. SO LONG AS THE GROC

CONTINUES TO TAKE THIS APPROACH THERE IS LITTLE CHANCE THAT MUCH SYSTEMATIC CONSTRUCTIVE THOUGHT WILL BE GIVEN TO THE QUESTION OF WHAT OTHER ARRANGEMENTS MIGHT BE ACCEPTABLE. MOREOVER, WHILE CURRENT CONCERN AND DISCUSSION OF US/PRC NORMALIZATION ARE AT A NEW PEAK, IN THE MONTHS AHEAD IT IS LIKELY THAT, AS BEFORE, OUTSIDE OF VERY LIMITED CIRCLES THE ISSUE WILL RECEDE IN PEOPLE'S MINDS UNTIL SOMETHING ELSE OCCURS IN PRC/US RELATIONS TO AGAIN FOCUS GENERAL ATTENTION ON THE NORMALIZATION PROCESS.

13. HOWEVER, EVEN IF THE IMMEDIATE EFFECT OF THE SECRETARY'S REMARKS IS LIMITED TO IDENTIFICATION BY THE GROC OF CERTAIN KINDS OF ARRANGEMENTS FOR FUTURE US/ROC RELATIONS THAT WOULD BE IN ITS VIEW INADEQUATE, THIS INITSELF WOULD BE A STEP FORWARD FROM ITS PREVIOUS APPARENT RELUCTANCE TO THINK IN SPECIFIC TERMS ABOUT THIS QUESTION AT ALL.
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